Treasury Board and Finance

Annual Report
2014-2015

Alberta
Government

Alberta Treasury Board and Finance
9th Floor, Federal Building
9820 - 107 Street
Edmonton, Alberta, T5K 1E7

Telephone: (780) 427-3035
Toll-free within Alberta: 310-0000 then (780) 427-3035
Website: www.finance.alberta.ca

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Treasury Board and Finance

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Management Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On September 15, 2014, the government announced new ministry structures. The 2014-15 ministry annual reports and financial statements have been prepared on this ministry structure.

The Ministry of Treasury Board and Finance now includes Corporate Human Resources and the Regulatory Review Secretariat, previously reported under the Ministry of Executive Council.

This annual report of the Ministry of Treasury Board and Finance contains the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry, including the Department of Treasury Board and Finance, regulated funds, provincial agencies and Crown-controlled corporations for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Management Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Message from the President of Treasury Board and Minister of Finance

Treasury Board and Finance is responsible for economic analysis, budget planning and providing a coordinated and disciplined approach to the management of government spending. Corporate Human Resources is also part of the ministry with responsibility for human resource policy, management and strategy for the Government of Alberta. Albertans want to know how the province's resources are allocated to deliver on important outcomes. This report highlights results achieved by the Ministry of Treasury Board and Finance in the 2014-15 fiscal year.

Government recognizes Alberta has an economic and social diversity to be celebrated and as we move forward together we will continue to foster the entrepreneurial spirit, hard work and innovation and commitment to excellence that is the foundation for the highest quality of life for Albertans.

I look forward to working with my colleagues, department staff and other stakeholders to ensure that the priorities of Albertans are first and foremost. As a government we will support economic diversification, a fair tax system and enhance the programs and services Albertans need and depend on. We are committed to working together to solve challenges and to seek new opportunities as we continue to build this great province.

[Original signed by]

Joe Ceci
President of Treasury Board and
Minister of Finance

Management's Responsibility for Reporting

The Ministry of Treasury Board and Finance (ministry) includes:

- Department of Treasury Board and Finance
- Corporate Human Resources
- Alberta Capital Finance Authority
- Alberta Gaming and Liquor Commission
- Alberta Local Authorities Pension Plan Corporation
- Alberta Pensions Services Corporation
- Alberta Securities Commission
- Alberta Insurance Council
- Alberta Investment Management Corporation
- Alberta Cancer Prevention Legacy Fund
- Alberta Heritage Foundation for Medical Research Endowment Fund
- Alberta Heritage Savings Trust Fund
- Alberta Heritage Scholarship Fund
- Alberta Heritage Foundation for Science and Engineering Research Endowment Fund
- Alberta Risk Management Fund
- Supplementary Retirement Plan Reserve Fund
- Provincial Judges and Masters in Chambers Reserve Fund
- Automobile Insurance Rate Board
- ATB Financial and its' subsidiaries
- Credit Union Deposit Guarantee Corporation
- Lottery Fund
- N.A. Properties (1994) Ltd.
- Gainers Inc.

The executives of the individual entities (listed above) within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the President of Treasury Board and Minister of Finance (Minister). Under the direction of the Minister, the Deputy Minister of Treasury Board and Finance oversees the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, by way of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian

public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information agrees with underlying data and the sources used to prepare it.
- Understandability and Comparability – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – performance measures and targets match those included in *Budget 2014.*

In addition to program responsibilities, the Deputy Minister of Treasury Board and Finance is responsible for the ministry's financial administration and reporting functions.

The ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council as well as the President of Treasury Board and Minister of Finance information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Management Act.*

In fulfilling my responsibilities for the ministry, I, the Deputy Minister of Treasury Board and Finance, have relied as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

Ray Gilmour
Deputy Minister of Treasury Board and Finance
June 5, 2015

I have fulfilled my responsibilities for the financial administration and reporting functions of Corporate Human Resources as Deputy Minister of Leadership and Talent Development and Public Service Commissioner

[Original signed by]

Lana Lougheed
Deputy Minister of Leadership and Talent Development and Public Service Commissioner
June 5, 2015

Results Analysis

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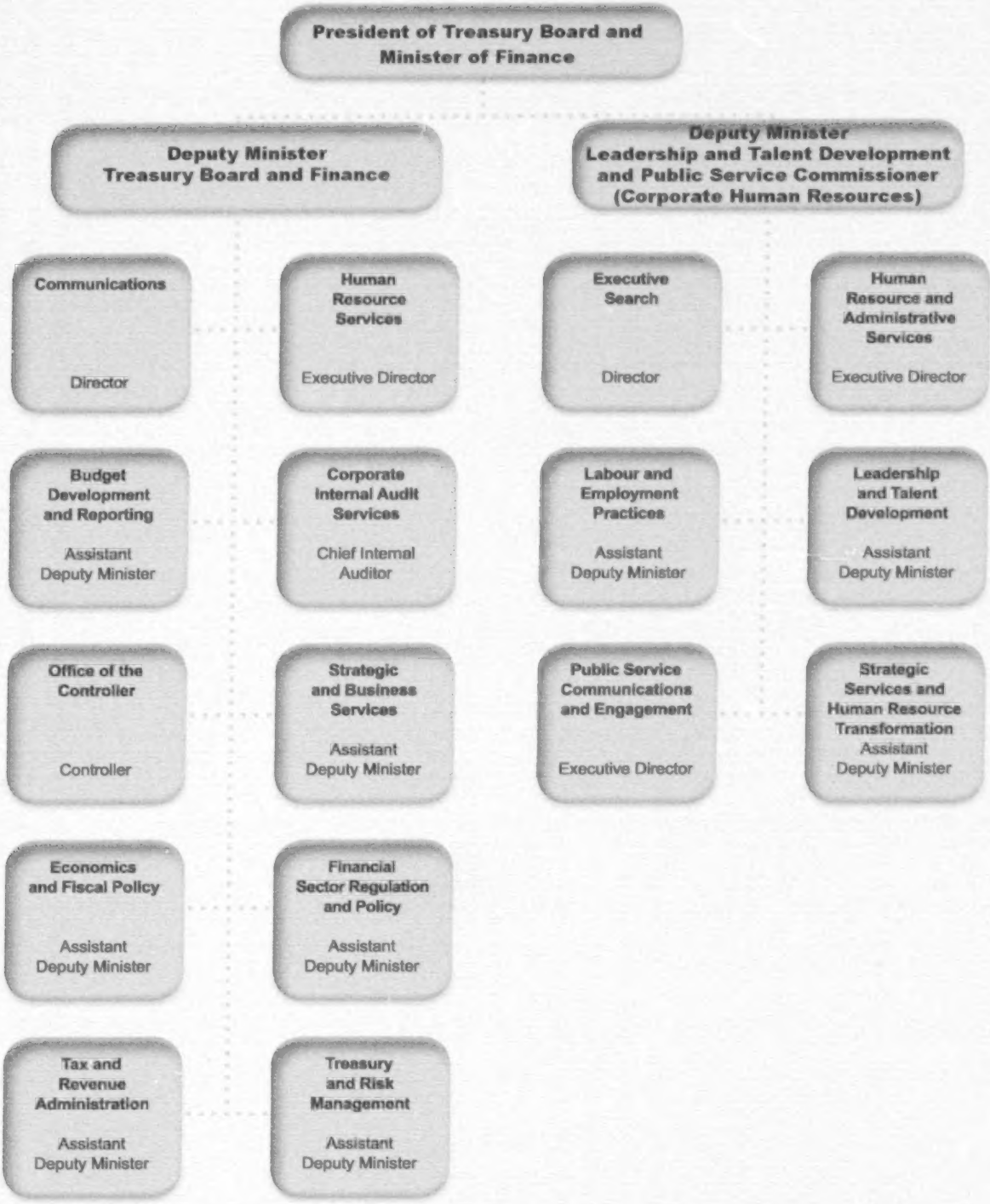
Organizational Chart



Ministry Goals

Goals

Goal 1: Strong and sustainable government finances

Goal 2: Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans

Goal 3: Effective and efficient government

Goal 4: Alberta Public Service employees are skilled, engaged and able to deliver on business goals (Formerly with Executive Council)

Operational Overview

Treasury Board and Finance:

Budget Development and Reporting

Budget Development and Reporting provides timely, relevant and accurate fiscal planning analysis, advice and recommendations to decision-makers (Minister, Treasury Board Committee, Cabinet, Executive Council and other bodies). The division provides guidance to ministries on budgets, business and strategic planning, as well as performance measurement and reporting. It is accountable for the government's budgeting (annual budget and quarterly updates) and performance reporting processes, including results-based budgeting (RBB).

Communications

Communications advises and supports the President of Treasury Board and Minister of Finance, as well as the ministry as a whole, by providing clear, accurate and timely information to the public about key initiatives, programs and services. Communications also provides consulting services in issues management, strategic planning, media relations, writing, publishing, social media and website content.

Corporate Internal Audit Services

Corporate Internal Audit Services performs internal audits across government. The division helps ministries achieve their goals by bringing a systematic, disciplined approach to evaluating and recommending improvements to risk management, control and governance processes.

Economics and Fiscal Policy

Economics and Fiscal Policy is primarily responsible for overseeing the province's legislated fiscal framework and advising the government on fiscal, economic and tax policy issues. The division prepares the province's official economic and demographic projections and analysis, which are a key input into the budget and quarterly updates. In addition, the division forecasts federal transfers and tax revenue. It also consolidates and disseminates official statistics and other key government data to support the strategic management of information for policy development and decision-making processes across the government.

Financial Sector Regulation and Policy

Financial Sector Regulation and Policy has two primary functions: providing policy support and analysis for insurance, private sector and public sector pension plans, and the Canada Pension Plan; and regulating and supervising loan and trust corporations, financial institutions, insurance companies and registered private sector pension plans.

Human Resource Services

Human Resource Services plans, develops and delivers strategic human resource programs, as well as day-to-day human resource services. The division's responsibilities include promoting strategic human resource planning in alignment with business goals and objectives; supporting the attraction and engagement of high-calibre staff; and building employee capacity to achieve business plan goals.

Office of the Controller

The Office of the Controller is responsible for government accounting standards and financial reporting, financial management and control policies, enterprise risk management and financial business process management. The division is seen as a leader in sponsoring, supporting and facilitating initiatives with outcomes focused on effectiveness, efficiency, best practice and continual improvement by the government financial community.

Strategic and Business Services

Strategic and Business Services supports the ministry's operations by leading and overseeing the ministry's business planning, annual reporting and enterprise risk management activities; offering financial advisory, planning and accounting services; managing information and records, including the administration of processes to meet the requirements of the *Freedom of Information and Protection of Privacy Act*; information technology application maintenance and development and support; managing facility operations; managing the department's emergency management program; supporting the government's relationship with the Alberta Gaming and Liquor Commission and Horse Racing Alberta. In addition the division includes the Regulatory Review Secretariat, which reviews all regulation changes and leads cross-ministry reform initiatives within government.

Tax and Revenue Administration

Tax and Revenue Administration administers tax, revenue and other programs under ten acts, including the Alberta corporate income tax, fuel tax, tobacco tax, and tourism levy acts. The focus of the division's work is to ensure a fair, efficient and effective provincial tax and revenue administration system. The division also contributes to the development of Alberta tax and revenue policy.

Treasury and Risk Management

Treasury and Risk Management provides investment policy advice as well as portfolio planning and evaluation for investments in the General Revenue Fund and the government endowment funds. In addition, the division manages short-term borrowing and investments, banking and cash forecasting, as well as arranges financing for the government and provincial corporations. The division also provides policy analysis and advice on the regulation of capital markets. It is responsible for promoting a level and competitive environment for financial institutions in Alberta and minimizing the risk of loss to deposit holders and consumers of trust products. As well, the division assists in the identification, measurement, control and financing of the risks of accidental loss to government.

Corporate Human Resources:

Executive Search

Executive Search provides corporate search programs to attract and recruit executive managers and senior officials to positions across the Alberta Public Service. It facilitates executive assignments to senior leadership roles and contributes to strategic workforce planning, succession and leadership development initiatives. It also provides support for the recruitment of qualified candidates to significant agencies, boards and commissions.

Human Resource and Administrative Services

Human Resource and Administrative Services provides strategic advice, guidance and support to management and staff to assist Corporate Human Resources in furthering departmental priorities and strategies and achieving goals through the full range of human resource programs and services including staffing, classification, employee relations, organization and job design, employee engagement supports, accommodations, workspace support and parking.

Labour and Employment Practices

Labour and Employment Practices represents the Alberta government as the employer in negotiating, interpreting and administering the Collective Agreement and on any employment-related disputes before adjudication boards or administrative tribunals. It develops human resource policies and programs that support terms and conditions of employment to attract and retain a strong public service within a fiscally responsible mandate. It provides expert consulting and training to ministries relating to employee compensation and benefits, job evaluation, labour relations and workplace health. The division also manages employee programs for health and dental (including applicable trust governance), life insurance, long term disability, employee assistance, health and safety, and represents the employer regarding the administration of employee pension plans.

Leadership and Talent Development

Leadership and Talent Development provides all Alberta Public Service employees with access to a full suite of corporate learning and development programs that build and support excellence across the Alberta government. It provides a comprehensive approach to talent management and succession planning, and supports key corporate initiatives such as the Alberta Public Service Vision and Values, enhancing policy capacity through the Alberta Public Service Policy Internship Program and other initiatives, public service recognition programs and Women in Leadership.

Public Service Communications and Engagement

Public Service Communications and Engagement leads the development and implementation of government-wide internal communications strategies, provides communications support and counsel to the Public Service Commissioner and leadership team at Corporate Human Resources and provides correspondence and issues management support to the Commissioner.

Strategic Services and Human Resource Transformation

Strategic Services and Human Resource Transformation identifies and implements human resource policies, strategies and frameworks in collaboration with departments to achieve priorities that strengthen the public service and modernize the human resource system. It provides workforce data and analytics, financial and business planning support and information and technology services, and provides secretariat and policy support to the Premier's Advisory Committee on the Alberta Public Service.

Summary of Key Activities in the Past Year

- Recorded $7.9 billion in revenue from corporate income, fuel, tobacco and insurance taxes, and the tourism levy. Corporate and commodity returns processed exceeded 325,000 and more than 11,000 benefit claims were processed in the same period.
- Undertook research in support of revenue forecasting and various policy initiatives. Topics included the impacts of population aging, productivity, and analysis of Alberta's fiscal situation in light of lower oil prices.
- Provided quarterly economic updates and released the *Weekly Economic Review* and *Economic Trends* and other publications and analysis on major indicators and trends in the Alberta economy. Timely presentations kept government and industry groups informed about the Alberta economy.
- Held forecast consultations in December 2014 with Chief Economists from various institutions across Canada to get their insight on current market trends, the outlook for Alberta's economy, and the impact to Alberta's economy of recent changes in the oil market.
- Compiled detailed demographic and socio-economic profiles for the Alberta provincial electoral divisions and published them on the Treasury Board and Finance website.
- Continued to monitor Alberta-based financial institutions so they operate in a safe and sound manner, to minimize the risk of loss to deposit-holders and consumers of trust products in Alberta.
- Carried out preliminary stakeholder discussions with employer and employee groups to address the competitiveness of public sector pension plans and to help ensure their sustainability.
- Led changes to the *Insurance Act*, Automobile Insurance Premiums Regulation, and Diagnostic and Treatment Protocols Regulation that took effect July 1, 2014. These changes include enhancing consumer protection by providing stronger oversight of auto insurance premiums by the Automobile Insurance Rate Board and by requiring insurers to provide more information to the Office of the Superintendent of Insurance.
- Made it easier for Albertans to find and review grant payment information by publishing it in an open data format on the Government of Alberta website.
- Recovered more than $22.6 million in 2014-15 through audits of corporate and commodity tax programs. The ministry continues to work cooperatively with tax administrations across Canada to ensure compliance with Alberta's tax laws.
- Achieved approximately $1.3 billion in increased investment returns over a four-year period for the Alberta Heritage Savings Trust Fund since the new asset mix was implemented, moving away from bonds into stocks and real assets such as real estate and infrastructure. As well, the Heritage Fund reduced its Canadian exposure in favour of a more global outlook. Four years is a common industry timeframe to measure the impact of decisions.
- Closed the Air Transportation Services program, as announced in September 2014. Three of the government's four planes sold for nearly $6.1 million. No compliant bids were received for the fourth aircraft, the DeHavilland Dash 8, which will be sold at a later date. Ministers and government officials now use commercial and charter options when air travel is required.

- Released the third *Results-based Budgeting: Report to Albertans* in December 2014 and completed the third and final cycle of Results-based Budgeting reviews in January 2015, generating more than 250 recommendations.
- Collected 189,618 returns using the ministry's Net File system in 2014-15, constituting 76.9 per cent of all Corporate Income Tax returns. Net File provides Alberta's corporate taxpayers with faster processing than a return sent through the mail, and saves the costs of handling, printing and mailing paper returns.
- Paid out $879,424 to 979 claimants during 2014-15 from the unclaimed property registry. The registry is a service to Albertans who have lost track of their personal or business property such as uncashed government cheques, utility deposits and matured life insurance policies.
- Restructured management of the short-term debt program, which has resulted in an annual savings of approximately $650,000 on top of $250,000 in fee savings.
- Achieved Payment Card Industry (PCI) Compliance for all credit card processing activities. The government adheres to the Payment Card Industry Data Security Standard (PCI DSS) security processes, controls and technologies to protect cardholder data. The operational implications for the Government of Alberta are that policies, procedures and staff ensure payment card data is kept safe and Albertans can be confident throughout the transaction process.
- Recommended amendments to the *Securities Act* to streamline, modernize and harmonize Alberta securities laws.
- Reached a new collective bargaining agreement between the Government of Alberta and the Alberta Union of Provincial Employees (AUPE).
- Worked collaboratively with the AUPE to successfully achieve resolution on all of the issues from the illegal strike in 2013 that began at the Edmonton Remand Centre.
- Launched and implemented a new Respectful Workplace Policy as part of the commitment to ensure a positive and supportive environment that fosters a culture of respect across the public service.
- Supported establishment of the Premier's Advisory Committee on the Alberta Public Service and its inaugural meeting held February 2015.
- Developed and implemented a new orientation program for Assistant Deputy Ministers.

Ministry Financial Highlights

Revenue

(millions of dollars)

2014-15		2013–14
Budget	Actual	Actual
$25,929	$26,553	$ 25,927

Revenue for the ministry is $626 million, or about 2 per cent higher than in 2013-14.

Comparison of year-over-year results (actual to actual)

- Personal income tax revenue was $505 million higher than the previous year due to higher personal incomes in 2014, and adjustments for higher than expected 2013 assessments.
- Corporate income tax revenue along with related interest and penalties was $310 million higher than last year due to higher corporate income from continued strong economic conditions.
- Other tax revenue was higher than the previous year by $29 million. Fuel tax revenue increased $19 million and insurance tax revenue increased $33 million primarily due to increased consumption and premium growth. Other taxes increased by $3 million. These increases were partially offset by a $26 million decrease in tobacco tax revenue mainly due to a one-time adjustment and reduction in tobacco consumption.
- Transfers from the Government of Canada were $42 million higher due to Alberta's increased share of the national population and the resulting proportion of the Canada Social Transfer.
- Net investment income was $435 million lower than the previous year. Market conditions were favourable in 2014-15 but lower compared to 2013-14, which was an exceptional year.
- Net income from government business enterprises was $111 million higher than last year. Income from the Alberta Gaming and Liquor Commission (AGLC) increased by $61 million, including $20 million in liquor revenue and $41 million in lottery revenue. Income from ATB Financial was up by $45 million and the Credit Union Deposit Guarantee Corporation (CUDGC) increased by $5 million.
- Premiums, fees and licences increased by $17 million compared to last year. This was a result of higher payment in lieu of taxes and the deposit guarantee fee from ATB Financial.
- Other revenue was up by $47 million from last year due to a $14 million increase in Alberta Investment Management Corporation (AIMCo) service fee revenue and $33 million mainly from refunds of expenditure and miscellaneous sources.

Revenue for the ministry is $624 million, or 2 per cent higher than budget.

Comparison of budget to actual revenue results

- Personal income tax revenue was $111 million less than budget due to a lower estimated growth rate for primary household incomes in Alberta.

- Corporate income tax revenue, along with related interest and penalties, was $301 million higher than budget due to slightly higher than expected corporate profits.
- Other tax revenue was $41 million lower than budget mainly due to a $21 million decrease in fuel tax revenue as consumption was less than anticipated, and tobacco tax revenue was $34 million lower due to a one-time adjustment and a slight reduction in tobacco consumption. These were offset by a $12 million increase in insurance tax related to premium growth and a $2 million increase in other tax revenues.
- Transfers from the Government of Canada were $10 million less than budget as Alberta's share of the population, which is used to calculate Alberta's Canada Social Transfer portion, was slightly less than anticipated.
- Net investment income was $318 million higher than budget mainly due to higher than anticipated investment income of $222 million for the Alberta Heritage Savings Trust Fund and $96 million for the other endowment funds and department.
- Net income from government business enterprises was $85 million higher than budget due to a strong year for all entity operations comprised of $65 million from AGLC, $15 million from ATB Financial and $5 million from CUDGC.
- Premiums, fees and licences were $11 million higher than budget. This was primarily attributed to the higher payment in lieu of taxes and deposit guarantee fee from ATB Financial.
- Other revenue was $71 million higher than budget due to higher service revenue of $38 million for AIMCo to cover increased investment fees and $33 million mainly from refunds of expenditure and miscellaneous sources.

Expenses

(millions of dollars)

2014–15		2013–14
Budget	Actual	Actual
$2,417	$1,977	$2,982

Ministry expenses are $1 billion, or about 34 per cent less than in 2013-14.

Comparison of year-over-year spending results (actual to actual)

- Investment, Treasury and Risk Management expenses were $19 million higher than last year. This is due to increased investment fees by AIMCo, recoverable through revenue.
- The pension provision was $1 billion less than last year due to a recovery of $404 million, compared to an increase in the provision of $643 million the year before. The recovery was the result of an overall improvement in the pension plan deficits driven by strong global markets and also the result of paying down the pre-1992 Teachers' Pension Plan.
- The provision for change in corporate income tax allowance for doubtful accounts was down $101 million from last year due to less allowances and write-offs.
- Debt servicing costs were $118 million higher than last year comprising $6 million for the Alberta Capital Finance Authority (ACFA) due to increased borrowing to meet client demand, $114 million for general government mainly for increased capital borrowing, and a $2 million decrease for school construction debentures due to reduced principal outstanding.

- The net of all other expenditure variances was an increase of $6 million.

Expenses for the ministry were $440 million, or about 18 per cent under budget.

Comparison of budget to actual spending results

- Investment, Treasury and Risk Management expenses were $58 million higher than budget due to increased AIMCo investment costs of $38 million recovered through revenue, and $20 million for Alberta Risk Management Fund increase in claims expense.
- Financial Sector Regulation and Policy expenses were $16 million under budget mainly due to lower than anticipated funding of $9 million towards pension liabilities. Spending was also down for the Alberta Securities Commission by $2 million, Alberta Pension Services Corporation by $3 million and another $2 million within the department.
- The pension provision was $460 million lower than budget mainly due to a revaluation of the liability which reduced the provision by $404 million in the current year. The revaluation resulted from overall improved returns from strong global markets and of paying down the pre-1992 Teachers' Pension Plan.
- Provision for change in corporate income tax allowance for doubtful accounts was $55 million higher than anticipated.
- Debt servicing costs were $64 million lower than budget. A deferral of planned borrowing for capital purposes reduced debt servicing costs by $78 million. This reduction was partially offset by an increase of $14 million in debt servicing costs of ACFA, driven by increased loan activity.
- Air services was $5 million higher than budget due to a loss on the sale of airplanes as proceeds were less than net amortized book value.
- The net of all other expenditure variances was $18 million lower than budget.

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Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed one of eight performance measures in the Department of Treasury Board and Finance's Annual Report 2014-2015. The reviewed performance measure is the responsibility of the department and is prepared based on the following criteria:

- Reliability – The information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability – The performance measure methodology and results are presented clearly.
- Comparability – The methodology for performance measure preparation is applied consistently for the current and prior years' results.
- Completeness – The goal, performance measure and related target match those included in the department's budget 2014.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the department.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating department progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the performance measure identified as reviewed by Office of the Auditor General in the department's annual report 2014-2015 is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 11, 2015

Edmonton, Alberta

Performance measure reviewed by the Office of the Auditor General is marked with a double asterisks (**) on the Performance Measures Summary Table.

Performance Measures Summary Table

Goals/Performance Measure(s)		Prior Year's Results				Target	Current Actual
1. Strong and sustainable government finances							
Performance Measures							
*1.a Alberta's credit rating (blended credit rating for domestic debt)		AAA	AAA	AAA	AAA	AAA	AAA
		2010-11	2011-12	2012-13	2013-14		2014-15
1.b Ratio of amounts added to the net tax revenue to costs of administration (as a measure of efficiency)[1]		13:1	13:1	20:1	18:1	12:1	27:1
		2010-11	2011-12	2012-13	2013-14		2014-15
**1.c The Alberta Heritage Savings Trust Fund five-year annualized rate of return		3.5% (3.8% below target)	2.7% (4.7% below target)	5.2% (2.1% below target)	12.7% (5.4% above target)	7.1%	11.7%
		2010-11	2011-12	2012-13	2013-14		2014-15
Performance Indicator							
1.1 Alberta savings ($ millions):							
• The Alberta Heritage Savings Trust Fund book value		14,198	14,652	14,813	15,006	N/A	14,961
• The Contingency Account Balance		11,192	7,497	3,326	4,658	N/A	6,529
		2010-11	2011-12	2012-13	2013-14		2014-15
2. Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans							
Performance Measure							
ATB Financial return on average risk weighted assets		0.99%	0.63%	0.76%	1.10%	1.00%	1.10%
		2010-11	2011-12	2012-13	2013-14		2014-15
3. Effective and efficient government							
Performance Measure							
Sustainable operating spending growth (operating spending relative to the rate of population growth plus CPI)[1]	Operating spending growth	6.3%	2.7%	6.5%	3.3%	Operating spending growth equal to or less than population plus CPI growth	4.3%
	Population plus CPI	2.5%	4.3%	3.6%	5.6%		4.5%
		2010-11	2011-12	2012-13	2013-14		2014-15

[1] The ratios for 2012-13, 2013-14 and 2014-15 were higher than previous years' results. This is due to significant recoveries made by applying reassessments in Alberta similar to those used by the Canada Revenue Agency at the federal level. Most of these reassessments are currently under objection. Removing the impact of these reassessments results in a revised ratio of 12:1 for 2012-13, a revised ratio of 13:1 for 2013-14 and a revised ratio of 17.6:1 for 2014-15.

[1] In 2014-15, Endowment Fund / Account expense was reported separately from Operating Expense. In previous years this expense was reported as part of Operating Expense and will be reported as such in 2015-16. For comparability, Endowment Fund / Account expense is included in the 2014-15 result for Operating Expense growth.

Performance Measures Summary Table

Goals/Performance Measure(s)	Prior Year's Results			Target	Current Actual
Performance Indicator					
3.1 Financial reporting:					
• Percentage of unqualified independent auditor's reports on Government of Alberta financial statements	100%	100%	100%	N/A	100%
	2010-11	2011-12	2012-13		2013-14
4. Alberta Public Service employees are skilled, engaged and able to deliver on business goals					
Performance Measures					
4.a Alberta Public Service leadership index[1]	N/A	N/A	N/A	51%	52%	N/A
	2010-11	2011-12	2012-13	2013-14		2014-15
4.b Employee agreement that their organization supports their work related learning and development[2]	N/A	N/A	N/A	70%	71%	N/A
	2010-11	2011-12	2012-13	2013-14		2014-15
4.c Percentage of Alberta Public Service employees who are somewhat or highly engaged[3]	N/A	N/A	N/A	45%	47%	N/A
	2010-11	2011-12	2012-13	2013-14		2014-15

[1] Measure is from the *Executive Council 2014-17 Business Plan*. No new results are available as the survey was not conducted in 2014-15 – it was under review. Index consists of 10 questions that measure the quality of leadership in the Alberta Public Service. The results prior to 2013-14 are reported as not applicable because the index was just introduced in the 2012-13 employee survey and the survey distribution was changed in 2013-14.

[2] Measure is from the *Executive Council 2014-17 Business Plan*. No new results are available as the survey was not conducted in 2014-15 – it was under review. The results prior to 2013-14 are not comparable and reported as not applicable because the survey format and distribution were changed.

[3] Measure is from the *Executive Council 2014-17 Business Plan*. No new results are available as the survey was not conducted in 2014-15 – it was under review. The percentage of employees who are highly engaged, somewhat engaged, not very engaged or not engaged based on their response to the questions included in the Employee Engagement Index. The results prior to 2013-14 are not comparable and reported as not applicable because the survey format and distribution were changed.

Note: For more detailed information please refer to the Appendix: Performance Measures and Performance Indicators Methodology on page 717.

* Indicates Performance Measures that have been audited by the Office of the Auditor General as part of *Measuring Up 2015*.

** Indicates Performance Measures that have been reviewed by the Office of the Auditor General.

The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal,
- Measures for which new data is available, and
- Measures that have well established methodology.

The table contains eight performance measures and three performance indicators. Performance indicators show progress toward achievement of long term outcomes that a ministry does not have direct influence over and, as such, no targets are required.

Discussion and Analysis of Results

GOAL 1

Strong and sustainable government finances

Treasury Board and Finance (TBF) played an important role in providing timely economic forecasts and analysis, which contributed to a strong awareness of the changing financial and economic conditions in the province. The forecasts and analysis took into consideration feedback and input obtained in December 2014 from Chief Economists from various institutions across Canada.

The Alberta Heritage Savings Trust Fund is the government's main savings vehicle. The closing book value of the Alberta Heritage Savings Trust Fund for 2014-15 (in millions) is $14,961. While this represents a 0.3 per cent decrease from the previous year, it is primarily due to $255 million being transferred out of the Fund in support of the Alberta Heritage Scholarship Fund, Agriculture and Rural Development and Access to the Future Fund. These outgoing transfers were partially offset by inflation proofing.

TBF set a new asset mix for the Heritage Fund that came into effect at the end of fiscal year 2010-11. The asset mix called for broader global diversification through an increase to global developed equities and infrastructure as well as emerging market equities. This policy decision has benefited the Fund as those asset classes have substantially outperformed their Canadian equivalents. The policy benchmark, which reflects the asset mix set by TBF, has a four-year annualized return of 11.6 per cent. Had the old asset mix policy been maintained, the policy benchmark return would have been 9.6 per cent.

The Heritage Fund's globally diversified portfolio has benefitted from strong equity market returns both in Canada and worldwide since the credit crisis of 2008-09. The five-year annualized return for the Heritage Fund as of March 31, 2015 is 11.7 per cent. This is significantly ahead of its target of Consumer Price Index plus 5.5 per cent, which is 7.1 per cent as of March 31, 2015.

The Contingency Account is the province's main vehicle for setting aside funds to effectively respond to unexpected or unplanned expenditures, deficits or changes in revenue. The closing book value of the Contingency Account for 2014-15 (in millions) is $6,529, which represents a 40.2 per cent increase from the previous year. This increase is due to 2013-14 results of $1.3 billion that was transferred into the Contingency Account after March 31, 2014, and from the net cash surplus forecast for 2014-15 in March 2015.

TBF restructured management of the short-term debt program. The department assumed responsibility for the Alberta government's issuance of short-term debt effective April 1, 2014. Previously, the province paid the Alberta Investment Management Corporation (AIMCo) $250,000 per year to perform this function. Through structural changes to the program as well as by better integration of our borrowing, cash forecasting and banking processes, the province's cost of funds has been lowered by an average of five basis points. This equates to an annual savings of approximately $650,000 on top of the $250,000 in fee savings.

Alberta's tax system is designed to raise the revenue necessary to pay for programs and services that help make the province a great place to live, work and invest. In 2014, efforts continued to monitor the economic efficiency, fairness and revenue stability of Alberta's

tax system and to provide the government with tax policy information to support decisions related to meeting provincial revenue requirements.

The ministry continued its efforts to optimize administrative efficiency and effectiveness through the advancement of electronic services for its tax and revenue programs. As of March 31, 2015, 76.9 per cent of Corporate Income Tax returns were net filed, and 59.8 per cent of Tourism Levy returns, 64.6 per cent of International Fuel Tax Agreement registration renewals and 100 per cent of Emergency 911 Levy returns were submitted electronically. As of July 1, 2014, the secure online Tax and Revenue Administration Client Self-service (TRACS) system accepted tobacco tax memos electronically from tobacco tax memo suppliers and, as of January 21, 2015, TRACS allowed Tax Exempt Fuel User (TEFU) program participants to renew online.

Effective March 27, 2015 the tax on gasoline and diesel was raised by 4 cents per litre, to a total of 13 cents per litre, to generate additional revenue for the province while maintaining the province's tax competitiveness. To further support Alberta's tobacco reduction efforts, tobacco tax was increased by $5 per carton of 200 cigarettes, with the tax on other tobacco products increasing proportionally.

The Alberta Gaming and Liquor Commission (AGLC) also implemented changes to generate more revenue for the province. Liquor mark-ups went up by 22 cents per litre, with the exception of small brewers and cottage wineries selling at farmers' markets. Mid-sized brewers saw an increase of 11 cents per litre. AGLC continued its work of modernizing Alberta's gaming industry by investing in new technology and game offerings to sustain revenue to the Alberta Lottery Fund. AGLC also continued its ongoing efforts to ensure benefits from charitable gaming are distributed effectively to charities to support worthy causes across the province.

The ministry continued to provide reliable economic and demographic information upon which financial decisions are made. In collaboration with several stakeholder departments within the Government of Alberta, the ministry worked with Statistics Canada on a proposal to refine the North American Industry Classification System (NAICS) codes for reporting on mined and in situ oil and gas, and to address the increasing demand for better oil sands data. The results of these efforts could result in revisions to the upcoming 2017 NAICS updates. The ministry also led a provincial Administrative Data Strategy, which started with the Federal, Provincial and Territorial Administrative Data Project for income support data.

The ministry is currently working with Alberta Innovation and Advanced Education on a post-secondary education administration data project. Data sharing protocols have been developed for these projects and efficiencies are being realized through reuse of these protocols.

GOAL 2

Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans

TBF remains committed to focusing on legislation related to financial securities as well as providing regulatory oversight to provincial deposit-taking-institutions. As part of ongoing efforts to streamline, modernize and harmonize Alberta securities laws, the ministry took amendments to the *Securities Act* forward in both the fall 2014 and spring 2015 legislative sessions. The fall 2014 amendments dealt with regulation and oversight of over-the-counter derivatives, while the spring 2015 amendments primarily dealt with harmonizing

the regulation of derivatives and clarifying, expanding and refining various enforcement provisions.

The ministry continued to help ensure financial services providers remain strong and that Albertans continue to receive competitive financial services. As well, the ministry assisted financial services consumers and providers by providing guidance and education towards the goal of facilitating a fair marketplace.

TBF continued to provide insurance policy support and analysis and regulatory oversight of the insurance sector. The ministry licensed and monitored 314 insurance companies and special brokers. Of these, 227 are insurance companies (10 provincial), 11 are fraternal societies, 23 are reciprocal insurance exchanges (17 provincial), and 53 are special brokers. One exempt warranty provider also came under the ministry's licensing and monitoring activities.

The ministry monitored 772 private sector pension plans to ensure they complied with the provisions of the *Employment Pension Plans Act*, which includes the obligation to fund promised benefits in accordance with funding standards. Of these plans, 668 are active, six are in the process of being registered, six are suspended, and 92 are in the process of winding down. These plans have over 268,000 active members and over 164,000 deferred and retired members. As of March 31, 2015, total contributions for the year were approximately $3.0 billion. The total market value of assets was approximately $38.1 billion for the year ended March 31, 2015. A vision for sustainable, well governed and well understood public sector pension plans was communicated to the current pension plan system, and employer and employee groups. As well, throughout the year, the ministry provided policy support for the public sector pension system, comprising 10 plans with more than 230,000 active members and more than 150,000 retired members. The plans cover employees of provincial and municipal governments, schools, colleges, universities and health care institutions.

GOAL 3

Effective and efficient government

The third and final cycle of Results-based Budgeting (RBB) reviews ended in January 2015, generating more than 250 recommendations. The third RBB report, *Results-based Budgeting: Report to Albertans*, was released in December 2014 and highlights some of the recommendations resulting from the second RBB cycle. Cycle three recommendations were presented to Treasury Board in February 2015. The RBB process is now complete with well over 500 programs and services reviewed and approximately 650 recommendations being made, with many having already been put into practice. A fourth and final public report to Albertans is expected in the fall of 2015.

TBF set accounting policies and standards that resulted in the Auditor General issuing an unqualified audit report on the government's consolidated financial statements signifying that financial information was presented fairly and not materially misstated. The ministry also provided leadership to the government's financial community by implementing new financial and accounting policies and processes that further increased the effectiveness and efficiency of government services.

In 2014, the ministry led the development of financial and accounting policies related to tangible capital assets. This was an essential step in standardizing processes and accounting standards across the Alberta government, which was using a variety of systems

and processes to track and account for capital assets. The policy is a critical element in Service Alberta's implementation of the standardized capital assets module within the Alberta government's Enterprise Resource Planning (ERP) system.

A new public sector accounting standard for the liability of contaminated sites was implemented. This standard addressed liabilities for remediation related to sites, or parts of a site no longer in active or productive use. TBF assisted all ministries and departments in developing a process of due diligence and interpretation to assess their liabilities and account for them under this new standard.

TBF worked collaboratively with ministries on regulatory reform to improve the quality and relevance of Alberta regulations and to ensure the effective delivery of policy outcomes. More than 240 regulations were reviewed to ensure they met the standards of regulation impact analysis, including financial impact and risk assessment.

The ministry played a key role, along with Service Alberta, in the development of the new *Procurement and Sole Sourcing Directive*. This new directive fosters consistent, government-wide practices in the procurement of goods and services, including in respect of construction, and limits the authority of departments to sole-source in relation to services and construction. Standardized processes of this nature contribute to the overall effectiveness in administering public funds.

In the continued spirit of proactive disclosure, the ministry implemented, with the help of Service Alberta, the disclosure of all government grants through a public portal. This further enhances the transparency of financial activity and allows the public to review the expenditure of public funds. The standardized manner of disclosure also reduced the burden of reporting in other departments who provide similar information in a variety of ways utilizing multiple systems. The standardized process contributes to the overall effectiveness of government reporting.

Finally, TBF developed a Code of Practice that was recently adopted, thereby formalizing the Alberta government's processes for official statistics. The Code of Practice builds upon United Nations' principles and Alberta government best practices for the development of government's official statistics. The ministry has also been working with the Alberta government Statistics Council to develop a Data Quality Framework that will support ongoing development and advancement of government official statistics.

GOAL 4

Alberta Public Service employees are skilled, engaged and able to deliver on business goals

Corporate Human Resources (CHR) remains committed to ensuring Alberta has a professional public service that is skilled, engaged and delivers the programs and services Albertans expect.

Over the past year, CHR underwent several organizational changes to enhance its position as a centre of excellence. The responsibilities and staff of the former separate entity of Leadership and Talent Development were integrated into CHR to allow for a focused approach to enhancing talent management across the public service. A new Public Service Communications and Engagement Division was established to lead enterprise-wide communications and engagement strategies. A Strategic Human Resources Policy Branch was also established to develop integrated policy frameworks and strategies to enhance the effectiveness of the human resource system across the Alberta government.

In July of 2014, the Government of Alberta implemented a new collective agreement that had been collectively bargained with the Alberta Union of Provincial Employees (AUPE).

In March 2015, the Government of Alberta and AUPE successfully negotiated a resolution to all outstanding litigation matters from the 2013 illegal strike that began at the Edmonton Remand Centre.

In February 2015, CHR led the launch of the Respectful Workplace Policy and Guidebook for the Government of Alberta in conjunction with Pink Shirt Day—the national movement against bullying. CHR continues to work across government to support the implementation of the Respectful Workplace Policy, including facilitating training and information sharing.

In December 2014, the Premier's Advisory Committee (PAC) on the Alberta Public Service was established to provide advice on strengthening the public service to ensure it is best positioned to meet the needs of Albertans. CHR provided support to the Committee to assist with its inaugural meeting in February 2015 and will provide ongoing secretariat services for the Committee.

In recognition of the critical importance of leadership development and succession planning across the public service, CHR led the development of a series of executive talent management and leadership development initiatives. This included the development of a new Assistant Deputy Minister orientation program which was launched in March 2015.

CHR also initiated work on a number of initiatives to promote excellence across the public service and strengthen employee engagement. This included commencing a review of the Corporate Employee Engagement Survey, Exit Survey and other tools used to gather employees' input to identify opportunities to enhance their effectiveness. It also included initiating the development of a new corporate recognition program to recognize excellence in service delivery and policy development.

As part of ongoing efforts to build and strengthen policy capacity in the Alberta Public Service, CHR continues to manage the Policy Internship program, deliver training and learning events for policy professionals and identify relevant strategies and actions to further enhance these initiatives.

In recognition of the current gender imbalance in senior leadership in the Alberta Public Service, CHR has taken the lead to develop a formal Women in Leadership strategy. The strategy will uncover and address current barriers to women rising to senior leadership, improve mobility and career progression for women throughout the Alberta Public Service, and increase awareness of the value of diversity in leadership. Strategy development began in March 2015 and is expected to be completed in September 2015.